

# An overview to insurance & reinsurance laws and regulations that may occur in Mexico

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**The Legal 500, Mexico: Insurance & Reinsurance - by Partners Yves Hayaux du Tilly and Luciano Pérez**

Mexican insurance contracts are governed by the Insurance Contract Law (“LCS”) published in the Official Gazette of the Federation (Diario Oficial de la Federación (“DOF”) on 31 August 1935. The LCS applies to all insurance contracts, except for maritime insurance governed by the Navigation and Maritime Commerce Law published in the DOF on 1 June 2006.

The insurance contract is formed by the consent of the parties. Pursuant to Article 21.1 of the LCS the insurance contract comes into effect when the insured receives a confirmation that the insurance company accepted his request for insurance coverage, regardless of whether any written evidence, such as an insurance policy or certificate, is issued. The effectiveness of an insurance contract cannot be subject to the condition that the respective insurance policy or any other document evidencing its acceptance is issued nor to the condition that the respective premium is paid.

Other topics of analysis that we break down in the article are

- Insurance and co-insurance regulations depending on the jurisdiction
- License approval times
- Owner controls (including foreign ownership)
- Insurance or reinsurance risks in your jurisdiction without a license or authorization
- Sanctions depending on the jurisdiction
- Supervision of the solvency of insurers and reinsurers

- Minimum capital requirements
- Policyholder protection plans in your jurisdiction
- Compliance with suitability requirements and/or approvals
- Restrictions on outsourcing business-related services
- Restrictions on the types of assets insurers or reinsurers can invest in
- Supervision and control of insurance sales
- Distance or online selling regulations
- Rules pertaining to distance selling or online sales
- Consumer policy restrictions
- Responsible for handling complex commercial claims
- Legal transfer mechanism available for sales or transfers of books
- Main challenges for new market entrants and what role does the digital innovation plays
- Existing regulations for insurers when using customer data

The companies that will take the market leadership in the coming years.

There is tremendous gap and hence, potential as well as an urgency to develop an efficient health insurance market and we are seeing important developments from key players towards developing such health insurance market. Despite the challenges posed by a complex and burdensome regulatory landscape and lack of a level playing field due to a lack of proper supervision from the regulator of certain players offering insurance products without an insurance license, based on the new projects being developed in Mexico, we expect that health insurance will be a key driver of growth in the Mexican insurance industry in the years to come. Provided that the financial stability is maintained, we also expect life-saving products continue growing among the middle class population. We are seeing growth in cyber insurance related products, including insurance to protect new risks such as privacy and data protection.

We will continue seeing growth in financial lines, D&O insurance, professional liability, reps, warranties and tax insurance products, as well as products oriented in preventing fraud as well as surety products. Insurance for natural catastrophes will keep developing with a major trend for a healthy development of parametric products using new technologies to measure risks coupled with the development of

parametric indexes.

Automobile insurance will also continue growing fueled by a mandatory automobile liability insurance schemes that is still not fully nor duly enforced with a potential of growing at least threefold if it were to be implemented. Despite the numerous reforms to the financial laws, the opening of the market to foreign investment and the easiness of doing business in Mexico, the large gap in insurance coverage has not receded and Mexico continues to be an underinsured market continuing to make it as attractive as ever. There is expectation that new technologies and insurtech will help reduce the gaps in underinsurance and contribute to improve financial inclusion among the Mexican population. The current administration is looking to maintain the regulatory and financial strength of the Mexican insurance industry, while also improving the penetration with a particular aim in building resilience and improving financial inclusion.

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